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AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE REPUBLIC OF PERU
REGARDING THE REDUCTION OF CERTAIN DEBTS OWED TO THE GOVERNMENT
OF THE UNITED STATES OF AMERICA AND ITS AGENCIES

The Government of the United States of America and the Government of the Republic of Peru,

Seeking to facilitate the conservation, protection, restoration, and sustainable use and management of tropical forests in Peru, which provide a wide range of economic, social, and environmental benefits to people at local, national, and international levels,

Noting that tropical deforestation and forest degradation continue to be serious problems in many regions of the world,

Recognizing that the alleviation of external debt in the context of broader economic reforms can reduce economic pressures on countries and result in increased protection for tropical forests,

Considering Peru's positive record in implementing market-based economic reforms, including sustained efforts to liberalize its investment regime,

Recognizing Peru's positive performance under previous Enterprise for the Americas Initiative and Tropical Forest Conservation Act agreements, and

In furtherance of the goals of the U.S. Tropical Forest Conservation Act of 1998 (TFCA), as amended, and the Foreign Operations, Export Financing, and Related Programs Appropriations Act for U.S. fiscal year 2006,

Have agreed as follows:

Article I
DEFINITIONS

1. "Agreement" means this debt-reduction agreement, as it may be amended from time to time.
2. "Americas Framework Agreement" means the Agreement between the Government of the United States of America and the Government of the Republic of Peru Concerning the

Establishment of an Americas Fund and Administering Board of December 24, 1997, as it may be amended from time to time.

3. "Americas Fund" means the fund created pursuant to the Americas Framework Agreement.
4. "Board" has the meaning set forth in Article III of the Tropical Forest Agreement.
5. "Business Day" means, with respect to the provisions of Article I, paragraph 9, Article II, paragraph 3, and Article III, paragraph 1, of this Agreement, any day on which the Central Bank of Peru is open for business, or, with respect to the provisions of Article II, paragraph 4, of this Agreement, any day on which the Federal Reserve Bank of New York is open for business, or, with respect to Article II, paragraph 2, Article V, and Article VII, paragraph 2, of this Agreement, any day on which both the Central Bank of Peru and the Federal Reserve Bank of New York are open for business.
6. "Closing" has the meaning set forth in Article II of this Agreement.
7. "Closing Date" has the meaning set forth in Article II of this Agreement.
8. "Escrow Account" means an account established by the Ministry of Economy and Finance into which the GOP shall make the Payments under the New TFCA Obligations under the circumstances described in Article III.
9. "Exchange Rate" means the daily reference exchange rate bid for Local Currency expressed in U.S. Dollars as certified by the Superintendencia de Banca, Seguros y AFP del Peru two (2) Business Days before the date of Payment of the New TFCA Obligations.
10. "Fiscal Agent" has the meaning set forth in Article II, paragraph 4, of the Tropical Forest Agreement.
11. "GOP" means the Government of the Republic of Peru, acting through its Ministry of Economy and Finance.
12. "Local Currency" means the lawful currency of the Republic of Peru.
13. "New Obligations" means, collectively, the New USDA Obligations and the New TFCA Obligations, which together shall replace in their entirety the Old Obligations.
14. "New TFCA Obligations" means the GOP's undertakings pursuant to this Agreement arising from the restructuring of the Old Obligations. These undertakings obligate the

GOP to make the Payments to the Tropical Forest Account in accordance with Schedule A.2 of this Agreement and in accordance with the terms and conditions set forth herein and in the Tropical Forest Agreement.

15. "New USDA Obligations" means GOP's undertakings pursuant to this Agreement arising from the restructuring of the Old Obligations. These undertakings obligate the GOP to make payments to USDA in accordance with Schedule A.1 of this Agreement and in accordance with the payment and other relevant terms and conditions of the Old Obligations, as well as the terms and conditions set forth herein.
16. "Notification Date" has the meaning set forth in Article V, paragraph 4, of this Agreement.
17. "Old Obligations" means Loans 88PE1, 89PE1, and 94PEA, under the agreements entitled "Loan and Grant Agreement between the Government of Peru and the Government of the United States of America Acting through the United States Department of Agriculture," dated June 28, 1988, May 3, 1989, and August 30, 1993, respectively, that obligate the GOP to repay principal and interest on debt whose outstanding principal sums at August 16, 2008, amount to U.S. \$27,474,904.65 and whose outstanding scheduled interest sums at August 16, 2008, amount to U.S. \$3,759,278.12.
18. "Overdue Interest" means interest that accrues at a rate of 4 percent per annum with respect to Obligations 1 and 2 of Schedule A.2, and at a rate of 3.26 percent per annum with respect to Obligation 3 of Schedule A.2, on any overdue and unpaid Payment on the New TFCA Obligations. Overdue Interest on the New TFCA Obligations shall be paid in Local Currency, unless Article V, paragraph 4(b)(iii), of this Agreement applies. Overdue Interest on the New USDA Obligations shall be assessed and paid according to the terms and conditions of the respective Old Obligations.
19. "Party" means either the USG or the GOP, and "Parties" means both the USG and the GOP.
20. "Payment(s)" means the payment(s) to be made by the GOP under the New Obligations as shown in Schedule A.1 and Schedule A.2.
21. "Payment Due Date" has the meaning set forth in Article V of this Agreement.
22. "Schedule A.1" means the attached repayment schedule for the New USDA Obligations. Schedule A.1 lists the dates and amounts due for Payments under the New USDA Obligations. Payments on the New USDA Obligations shall be made in U.S. Dollars.

23. "Schedule A.2" means the attached repayment schedule for the New TFCA Obligations. Schedule A.2 lists the dates and amounts due for Payments under the New TFCA Obligations. Payments under the New TFCA Obligations are listed on Schedule A.2 as U.S. Dollar Payments, but, as provided in this Agreement, are to be paid in Local Currency using the Exchange Rate unless Article V, paragraph 4(b), of this Agreement applies.
24. "Termination" has the meaning set forth in Article VII, paragraph 2, of this Agreement.
25. "Tropical Forest Account" means the new account to be established within the Americas Fund in accordance with the laws of the Republic of Peru pursuant to the Tropical Forest Agreement and the Americas Framework Agreement.
26. "Tropical Forest Agreement" means the "Agreement Between the Government of the United States of America and the Government of the Republic of Peru Concerning the Establishment of a Tropical Forest Conservation Fund and Administering Board," dated as of the same date as this Agreement, to provide for the establishment and operation of a fund and the operation of an administering board in order to promote activities designed to conserve, maintain, restore, or promote sustainable use of the tropical forests of Peru.
27. "USDA" means the United States Department of Agriculture.
28. "USDA Account" means the Commodity Credit Corporation Finance Account #23X4143 in the name of "Commodity Credit Corporation," ALC#8585, on the books of the Federal Reserve Bank of New York.
29. "USG" means the Government of the United States of America, acting primarily through the U.S. Department of the Treasury.
30. "U.S. Treasury Escrow Account" has the meaning set forth in Article V, paragraph 4(b)(iii), of this Agreement.

Article II

CLOSING AND REDUCTION OF OUTSTANDING DEBT

1. Pursuant to the terms and subject to the conditions hereof, at the Closing, the USG and the GOP shall cancel the Old Obligations, and in their place substitute the New Obligations.
2. After the conditions set forth in Article IV have been met, the consummation of the transactions set forth in paragraph 1 of this Article (the "Closing") shall occur on the

Business Day (the "Closing Date") on or before October 16, 2008, as may be agreed by the Parties in writing.

3. The GOP agrees to make Payments after Closing on the New TFCA Obligations to the Tropical Forest Account in Local Currency as calculated with the Exchange Rate in accordance with the payment schedule in Schedule A.2 and in accordance with the terms and conditions set forth herein and in the Tropical Forest Agreement. If the respective Payment Due Date for the payment to the Tropical Forest Account is not a Business Day, then the Payment Due Date for that payment shall be the next succeeding day that is a Business Day.
4. The GOP agrees to make Payments after Closing on the New USDA Obligations to USDA in U.S. Dollars in accordance with the payment schedule in Schedule A.1 and in accordance with the payment and other relevant conditions and provisions of the Old Obligations. If the respective Payment Due Date for the payment to the USDA Account is not a Business Day, then the Payment Due Date for that payment shall be the next succeeding day that is a Business Day.
5. The GOP agrees not to assign the New TFCA Obligations to any third party.

Article III

PAYMENTS ON THE NEW TFCA OBLIGATIONS TO THE U.S. TREASURY ESCROW ACCOUNT AND OTHER PAYMENT ADJUSTMENTS

In the event that the Tropical Forest Agreement has entered into force, but (a) the Tropical Forest Account has not been fully constituted under Peruvian law, (b) the Board has not been appointed, or (c) a Fiscal Agent has not been selected, the GOP shall make any Payment when due under Schedule A.2 into the Escrow Account. The GOP shall provide timely notice of confirmation to the USG of the amount and date of each payment made to the Escrow Account. Once the USG and the GOP have agreed in writing through an exchange of letters that the Tropical Forest Account is constituted, the Board appointed, and a Fiscal Agent selected, the GOP shall transfer all funds in the Escrow Account to the Tropical Forest Account within seven (7) Business Days of such agreement, calculated by counting from, but not including, the date of signature of the later of such letters.

Article IV
CONDITIONS TO CLOSING

The obligation of USG hereunder to cancel the Old Obligations and substitute the New Obligations shall be subject to the fulfillment of each of the following conditions performed to the satisfaction of the USG, or waiver of the condition by the USG, on or prior to the Closing Date:

- (a) The GOP shall have paid in full to USDA any amounts due under the Old Obligations up to, but not including, the Closing Date.
- (b) The GOP shall have signed this Agreement and the Tropical Forest Agreement.
- (c) The USG shall have received from the GOP such further documents, opinions, and certificates as the USG shall reasonably request.

Article V
FAILURE TO MAKE A PAYMENT OF PRINCIPAL OR INTEREST ON THE
NEW TFCA OBLIGATION WHEN DUE

1. In the event the GOP does not make full payment of any installment under the New TFCA Obligations when due under this Agreement (each such due date hereinafter referred to as a "Payment Due Date"), the GOP shall within seven (7) Business Days commence discussions with the USG to resolve such payment default. The GOP and the USG agree to use their best efforts to find a mutually acceptable solution.
2. Overdue Interest shall accrue on any overdue and unpaid installment of the New TFCA Obligations. The GOP shall make an Overdue Interest payment as soon as possible, without waiting for the due date of the next scheduled payment under the New TFCA Obligations.
3. Except as otherwise provided below, the GOP shall pay any Overdue Interest accruing on a due and unpaid Payment under a New TFCA Obligation directly to the Tropical Forest Account.
4. (a) Notwithstanding any other provision of this Agreement or the Tropical Forest Agreement, if the USG determines that any condition under this Agreement or the Tropical Forest Agreement is not being substantially fulfilled and so notifies the GOP (the date of receipt of the notification being the "Notification Date"), the GOP shall commence discussions with the USG within seven (7) Business Days after the

Notification Date to seek to resolve such matter. The GOP and the USG agree to use their best efforts to find a mutually acceptable solution. The GOP shall continue to make any Payment when due to the Tropical Forest Account after the Notification Date, unless otherwise instructed.

(b) If the GOP and the USG are unable to find a mutually acceptable solution within sixty (60) Business Days following either a Notification Date or the GOP's failure to make a full Payment on the Payment Due Date, including any accrued Overdue Interest, if applicable, the following procedures shall apply:

- (i) the USG may require the GOP to pay immediately in U.S. Dollars any unpaid Payment under the New TFCA Obligations, including any accrued Overdue Interest, to the Tropical Forest Account;
- (ii) the USG may, in its sole discretion, declare all, or any part of, future Payments under the New TFCA Obligations due and payable immediately in U.S. Dollars ("Accelerated Payments"), in which case, such amounts shall be paid to the Tropical Forest Account for distribution in accordance with the Tropical Forest Agreement unless Article V, paragraph 4(b)(iii), below applies; and
- (iii) the USG may, in its sole discretion, require that the GOP make unpaid and future Payments, including any accrued Overdue Interest, or Accelerated Payments, in U.S. Dollars to an account opened by the U.S. Department of the Treasury on its books (the "U.S. Treasury Escrow Account") until the USG, in its sole discretion, is satisfied that the conditions under this Agreement and the Tropical Forest Agreement are being fulfilled. If satisfied, the USG shall transfer funds to the Tropical Forest Account from the U.S. Treasury Escrow Account within fourteen (14) Business Days of such determination.

Article VI AMENDMENT AND NOTIFICATION

1. This Agreement may be amended with the written consent of both Parties.
2. All notices, consents, requests, instructions, approvals, and other communications provided for in this Agreement shall be in writing and shall be deemed validly given (a) on the date of delivery when delivered by hand, (b) on the date of transmission when sent by facsimile transmission during normal business hours with telephone confirmation of receipt, or (c) on the date of receipt in accordance with the records of receipt by a reputable overnight courier that maintains records of receipt, all addressed as set forth

below (or to such other address as any Party shall have designated by notice in accordance with this Article VI to the other Party).

FOR THE USG:

Deputy Assistant Secretary
Environment and Energy
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington DC 20220
Tel. (202) 622-1270
Fax (202) 622-4637

FOR THE GOP:

Minister of Economy and Finance
Jr. Junin N 319-Lima 1- Peru
Tel. (51) 426 98 22
Fax (51) 626 99 21

Article VII
ENTRY INTO FORCE AND TERMINATION

1. This Agreement shall enter into force on the effective date of the last signature hereto.
2. This Agreement shall automatically terminate: (a) in the event that the Agreement has not entered into force on or before September 30, 2008, (b) if the Agreement has entered into force, in the event that the Closing has not taken place on or before (i) October 16, 2008 or (ii) such later Business Day as may be agreed by the Parties before October 16, 2008 in writing; or (c) if the Closing has occurred, upon the payment by the GOP of all amounts due under the New TFCA Obligations.

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at Washington, this 18th day of September, 2008, in duplicate in the English language.

FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA:



FOR THE GOVERNMENT OF
THE REPUBLIC OF
PERU:



Schedule A.1
Schedule of Payments to USDA
under New USDA Obligations

88PE1		
	Scheduled Principal	Scheduled Interest
10/27/2008	\$901,813.83	\$216,435.32
10/27/2009	\$901,813.83	\$180,362.76
10/27/2010	\$901,813.83	\$144,290.22
10/27/2011	\$901,813.83	\$108,217.66
10/27/2012	\$901,813.83	\$72,145.11
10/27/2013	\$901,813.73	\$36,072.55
Total	\$5,410,882.88	\$757,523.62

Schedule A.2
Schedule of Payments under New TFCA Obligations

Obligation 1		
	Scheduled Principal	Scheduled Interest
10/27/2008	\$46,012.61	\$11,043.02
10/27/2009	\$46,012.61	\$9,202.52
10/27/2010	\$46,012.61	\$7,362.01
10/27/2011	\$46,012.61	\$5,521.51
10/27/2012	\$46,012.61	\$3,681.00
10/27/2013	\$46,012.61	\$1,840.50
Total	\$276,075.66	\$38,650.56

Obligation 2		
	Scheduled Principal	Scheduled Interest
2/15/2009	\$952,494.24	\$187,839.17
8/15/2009	\$952,494.24	\$169,378.53
2/15/2010	\$952,494.24	\$156,532.64
8/15/2010	\$952,494.24	\$138,582.43
2/15/2011	\$952,494.24	\$125,226.11
8/15/2011	\$952,494.24	\$107,786.34
2/15/2012	\$952,494.24	\$93,919.59
8/15/2012	\$952,494.24	\$77,415.60
2/15/2013	\$952,494.24	\$62,613.06
8/15/2013	\$952,494.24	\$46,194.14
2/15/2014	\$952,494.24	\$31,306.53
8/15/2014	\$952,494.23	\$15,398.05
Total	\$11,429,930.87	\$1,212,192.19

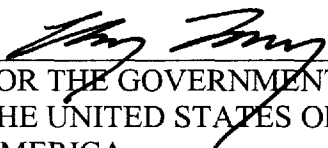
Obligation 3		
	Scheduled Principal	Scheduled Interest
10/16/2008	\$939,967.50	\$300,789.60
7/23/2009	\$473,045.86	\$113,531.01
10/16/2009	\$939,967.50	\$263,190.90
7/23/2010	\$473,045.86	\$94,609.18
10/16/2010	\$939,967.50	\$225,592.20
7/23/2011	\$473,045.86	\$75,687.34
10/16/2011	\$939,967.50	\$187,993.50
7/23/2012	\$473,045.86	\$56,765.51
10/16/2012	\$939,967.50	\$150,394.80
7/23/2013	\$473,045.86	\$37,843.67
10/16/2013	\$939,967.50	\$112,796.10
7/23/2014	\$473,045.88	\$18,921.84
10/16/2014	\$939,967.50	\$75,197.40
10/16/2015	\$939,967.56	\$37,598.70
Total	\$10,358,015.24	\$1,750,911.75

CONSENT TO CLOSING DATE

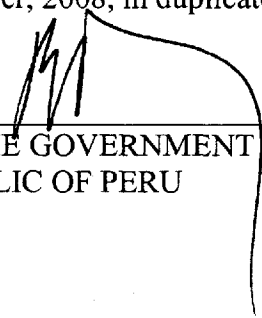
Pursuant to the terms and conditions of the "Agreement Between the Government of the United States of America and the Government of the Republic of Peru Regarding the Reduction of Certain Debts Owed to the Government of the United States of America and Its Agencies" (the "Agreement"), signed on September 18, 2008, especially Article II, paragraph 2, and Article IV of the Agreement, the Parties agree that the Closing shall occur on September 19, 2008, which shall be the Closing Date.

Terms in this Consent shall have the same meaning as those in the Agreement.

Done in Washington, this 18th day of September, 2008, in duplicate in the English language.



FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA



FOR THE GOVERNMENT OF
REPUBLIC OF PERU